DATA REPORT

Automation and Manual A/R Processes:

Capital Considerations to Grow B2B Businesses

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Executive Summary

Accounts receivables (A/R) teams deliver value beyond the daily processes that manage money owed to a business. These teams hold significant responsibility — they're tasked with expertly shepherding customers through the payment process and ensuring the business gets paid on time, while simultaneously supporting exceptional customer experiences that drive loyalty and growth.

However, without the proper back-office processes and access to capital, the payments experience is inefficient. Extending terms under these conditions quickly ties up working capital, increases risk and downgrades the entire customer experience. The addition of specialized purchasing requirements and high order volumes only compounds these challenges and prevents business growth.

CFOs that innovate and transform their back offices enable their companies to outpace competitors and create long-term value.

In fact, B2B digital leaders experience five times more revenue growth compared to their peers.

These B2B companies are improving financial performance by targeting a specific set of digital practices and capabilities. For A/R departments, that means aligning digital transformation to keep up with customer purchasing expectations and meet the growing demand for online sales.

Inadequate resources and limited technology make it nearly impossible for A/R teams to provide customers with convenient and flexible ways to purchase across sales channels, support efficient onboarding, extend credit and payment terms and submit invoices.

"Without the proper back-office processes and access to capital, the payments experience is inefficient."

Without innovation, customer loyalty is at risk and so is capital — both human and financial. Outdated back-office processes put working capital at risk, further limiting the ability to invest in the business and prioritize the innovation your organization desperately needs.

Even more, when your A/R team is forced to rely on outdated manual processes, employees are inefficient, overworked and unable to reach departmental goals. And it prevents your entire organization from reaching its full potential.

The bottom line: Too many B2B businesses rely on manual, paper-based A/R processes and are ill-equipped for the future of payments.

By shifting focus to the strategic automation of back-office processes and quality partnerships, B2B businesses can optimize digital payment processing and streamline the A/R process. This unlocks a superior customer experience to inspire loyalty and untether working capital.

"Too many B2B businesses rely on manual, paper-based A/R processes and are ill-equipped for the future of payments."

Based on a survey of 300 A/R managers, directors and financial executives in the U.S., this report examines the areas in which B2B A/R teams struggle most with manual processes, their departmental goals and how they plan to use automation to eliminate purchasing and A/R pain points in the months ahead.

Key Findings

A lack of back-office automation holds back A/R departments and restricts capital: 44% of finance executives say their teams are limited by current technology.

Manual Processes Are Plaguing A/R Workflows

58% of respondents have set aside the automation of manual processes due to current challenges.

94% of respondents manually input at least some invoice or billing information into their A/R systems. Billing errors are key contributors to decreased profitability, disputes and late payments.

In fact, over half **(55%)** of respondents say managing disputes is one of the most challenging tasks for their A/R team and 99% of teams say disputes contribute to late payments.

Another **1 in 4** respondents say manual methods like paper checks are the primary invoice payment method used by customers — a single check costs businesses $4 to $20 to process.

40% of finance executives say improving working capital management is the top department goal for 2020.

SECTION 1

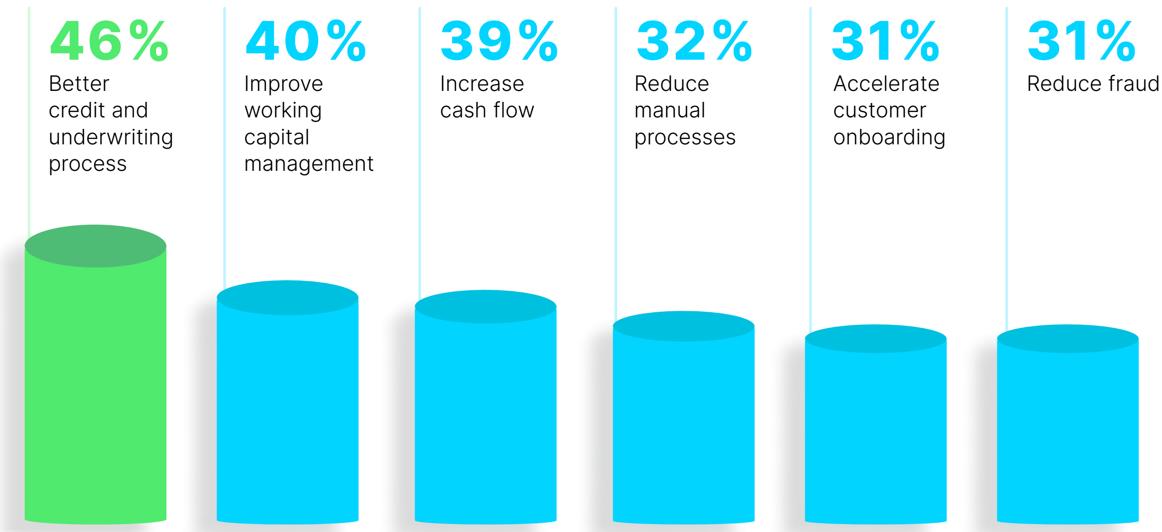
The Current A/R Landscape

Challenges, Goals and the Need for Innovation

Payment terms are table stakes for B2B organizations. But the process is still rife with challenges. How can A/R teams most efficiently perform credit checks, onboard clients faster, reduce time-to-sale, adhere to purchasing requirements, manage disputes and keep up with collections? They can't — not without a better, more streamlined way to extend terms.

The survey reveals that invoicing, and its associated processes and requirements, remains a leading challenge for A/R teams. The manual processes that can come with invoicing, such as inputting billing information and aggregating data to underwrite a new customer, can quickly lead to billing errors and late payments. This helps explain why respondents chose underwriting and extending credit as their top pain point, and achieving a better credit and underwriting process as their top goal, for 2020.

Top Financial Department Goals for 2020



The current financial context amplifies this need: An uncertain economic forecast increases CFOs' concerns about the ability to access working capital for extending credit.

Traditional funding options — such as asset-based lending (ABL), credit cards and factoring — don't often yield the capital businesses need.

But most critically, accessing capital, during unstable economic conditions or otherwise, doesn't alleviate the core issue. A reliance on manual, paper-based A/R processes is standing in the way of A/R innovation: 37% of respondents say current technology limits are preventing them from reaching their goals.

An outdated back office also makes it difficult for A/R teams to efficiently extend terms and provide a top-tier payments experience. The survey found that 27% of respondents say their A/R team is stretched too thin by current processes and tasks.

Financial leaders must ask themselves: What manual processes are restricting my A/R team and preventing them from meeting customer expectations and reducing risk to capital?

The Top 5 Pain Points of Today's A/R Teams

1. Underwriting and extending credit
2. Payment application
3. Onboarding
4. Billing errors
5. Collections/late payments

The Manual Processes Restricting A/R Teams

Assessing Credit

27% of respondents use an in-house credit assessment to screen for creditworthiness when extending terms to new customers.

Inputting Invoice Information

94% of respondents manually input at least some invoice, bill or statement information into their A/R systems.

Sending Invoices

48% of respondents send invoices through email and 17% send invoices through traditional mail.

Accepting Checks

1 in 4 respondents say paper checks are the number one invoice payment method used by customers.

These Manual Process Have a Threefold Effect on A/R

Working Capital

Chronic invoice and billing inaccuracies increase DSO and trap capital.

Human Capital

Inefficient administrative tasks absorb department resources.

Customer Experience

A lack of time and capital prevents teams from meeting customer expectations.

Without back-office innovation, A/R teams are unable to provide a first-rate payments experience. Manual processes severely restrict A/R teams, preventing them from reaching their goals and retaining loyal customers.

SECTION 2

The Organizational Impacts of Manual A/R Processes

Working Capital: Manual A/R Processes Restrict Capital

Organizations want to facilitate convenient and flexible purchasing processes to acquire and retain loyal customers. But A/R teams are burdened by too many manual processes that impact their ability to meet customer requirements, support the sales team and efficiently collect payments, leading to longer DSO and stalled revenue growth. These processes increase financial risk, drain human capital and create a poor customer experience.

Twenty-seven percent of respondents report that **over half** of their customer invoicing and billing requirements are unique.

Manual invoice data entry processes and unique billing requirements create a recipe for invoicing mistakes and further payment delays: 39% of respondents say **26% or more of their late payments are due to a dispute**. Among invoice errors, incorrect customer physical or electronic addresses and missing line items most often delay payments.

Late and delayed payments caused by invoicing and billing errors lead to an increase in DSO. In fact, the DSO for B2B sellers is higher than it should be: One-third of respondents (33%) reported a DSO of 45 to 60 days. Lengthy DSO reduces the working capital needed to extend terms to more customers and support further business growth.

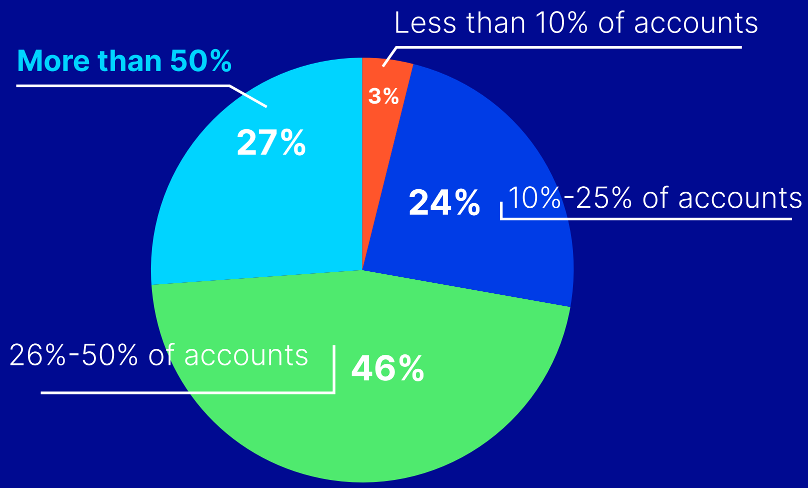
Restricted working capital, lengthy DSO and bad debt also inhibit B2B organizations from qualifying for funding solutions. For example, late payments affect the quality of a business' receivables and the ability of that business to use those receivables as collateral for asset-based loans. Furthermore, debt from late or unpaid invoices reduces eligible accounts receivable that can be financed and the amount of funding available.

The survey found that **up to 25% of respondents' receivables are written off as bad debt annually,** further limiting the amount of capital they could access through alternative funding.

> **"Restricted working capital, lengthy DSO and bad debt also inhibit B2B organizations from qualifying for funding solutions."**

Unique Customer and Billing Requirements

27% of A/R teams manage unique billing requirements for over 50% of their accounts.



Length of DSO

12% Less than 30 days

33% 45-60 days

54% 31-45 days

1% More than 60 days

KEY TAKEAWAY

40% **of financial executives say their department's top goal for 2020 is to improve working capital management**

Rightsize credit lines to more closely reflect the actual purchasing amounts of your customers. This can significantly reduce DSO and provide more access to capital.

Human Capital: Manual A/R Processes Consume Time and Resources

A chronic reliance on manual A/R processes takes a human toll. A/R teams struggle to keep up with the high volume of customer requests and disputes as well as the increasing amount of invoice and billing errors that require attention.

Teams are also outpaced by the volume of collections. Collections consume a large portion of an A/R department's human capital. In fact, over half (51%) of respondents have six to 10 employees working on collections each week. Of those respondents, three-quarters say each full-time employee spends 18 or more hours each week working collections, and about a quarter (23%) say each full-time employee spends 27 to 35 hours collecting past due payments.

Resolving customer disputes, rectifying invoices and managing collections consume the bulk of A/R teams' hours, and they are often forced to turn to the sales team for additional support:

78% of respondents say their sales team is involved in onboarding, credit limit increases, disputes and/or collections very or somewhat often, while 20% say their sales team is always involved with these activities.

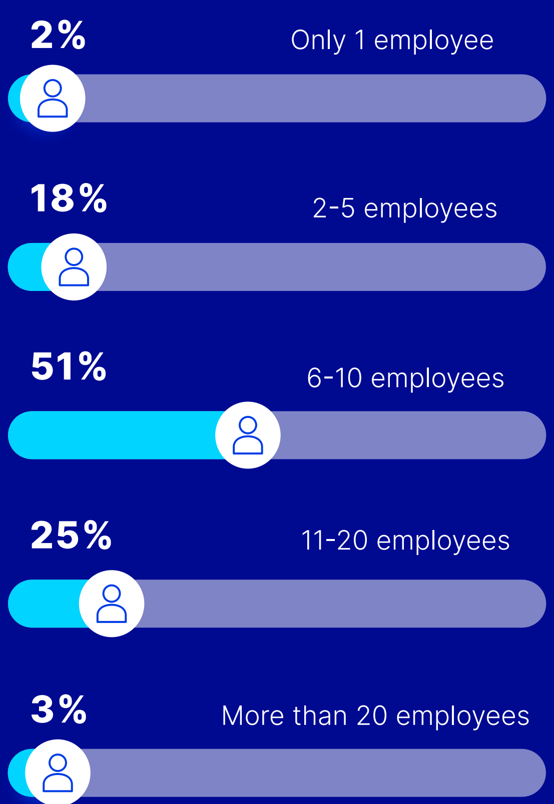
As a result, 63% of salespeople's time is focused on activities other than selling — **meaning only 37% of a sales team's time is spent actually bringing in new business.**

With working capital considerations, increasingly competitive markets and an uncertain economic forecast, B2B organizations can't afford to have sales teams prioritizing activities that don't directly contribute to revenue capture and should reconsider collections processes.

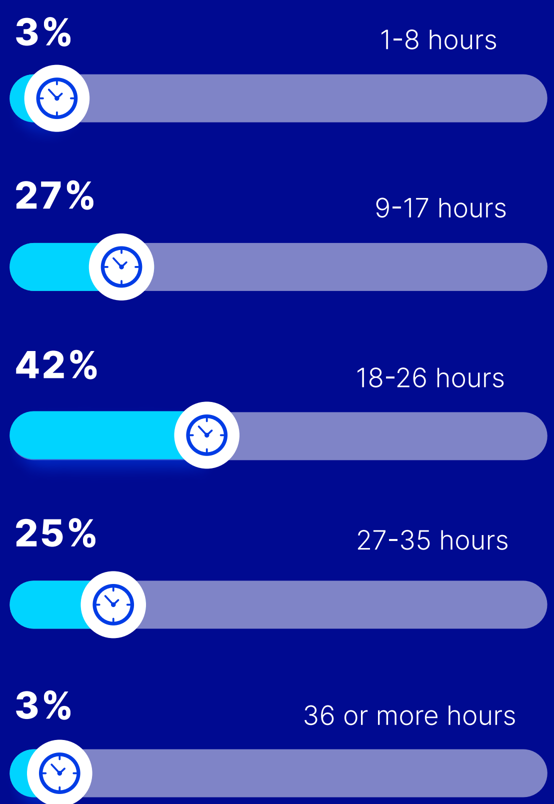
> **"A chronic reliance on manual A/R processes takes a human toll."**

Collections Consume a Large Portion of an A/R Department's Human Capital

Employees Working on Collections Each Week



Hours Spent on Collections Each Week



KEY TAKEAWAY

1 in 4 **financial executives consider collections the most challenging task for their A/R team**

Consider outsourcing the work to a trusted partner and redirecting staff efforts elsewhere to help your A/R department prevent issues that lead to late payments and reduce the need for collection calls.

Customer Experience: Manual A/R Processes Degrade the Customer Experience

The ability to meet customer requirements and provide fast, convenient service is a key component of gaining and retaining loyal, repeat customers. But with outdated back-office workflows slowing down both A/R teams and related departments like sales, the customer experience suffers — and that puts revenue at risk.

For example, inefficient A/R departments are apt to adopt dangerously liberal underwriting practices to accelerate the process and increase sales. In fact, 27% of respondents rely on in-house credit assessments to screen for creditworthiness. In-house solutions often approve less creditworthy customers who take longer to pay, which quickly boosts sales but results in longer DSO. Additionally, if in-house credit assessments are not thorough, they overlook customers with bad debt risk that can further jeopardize working capital.

Even more, in-house assessments are likely inefficient when compared to fast, reliable third-party solutions and can contribute to onboarding delays. For over half of respondents (56%) it takes four or more days to onboard a new customer when providing net terms. Not only does this delay time-to-sale, but it degrades the customer experience — and B2B buyers who face delays of more than two days during onboarding are **less likely to complete a purchase.**

In addition to subpar onboarding, manual A/R processes create a vicious cycle that damages the long-term customer experience. Payments innovation costs time and money, and with current A/R inefficiencies tying up working capital, businesses don't have room to innovate the back office. This prevents them from offering consistent, transparent payments experiences across all buying channels (in store, salesperson, eCommerce store, marketplaces).

It isn't surprising that 41% of financial executives say solving this issue is a top priority.

Length of Time to Onboard New Clients

2% 1 business day or less

43% 2-3 business days

56% 4 or more business days

How B2B Sellers Screen for Creditworthiness

73% Third-party sources

27% In-house credit assessment

KEY TAKEAWAY

45% **of financial executives say their department's top goal for 2020 is to have a better credit and underwriting process**

Seek out fast and reliable third-party credit assessments to accelerate the credit application process. Not only does this make for a better customer experience and faster time-to-sale, but it offers extra assurance that risk to working capital is minimized.

SECTION 3

Grow Your Business by Automating With a Partner

Automating Manual A/R Processes

A best-in-class payments experience relies on innovation in the back office. Automating manual A/R tasks is the most effective, long-term solution for future-proofing B2B payments by alleviating the A/R inefficiencies that limit teams, restrict capital and downgrade the customer experience.

The payments experience is also critical to customer retention, and automated A/R leads to increased sales and loyalty.

In fact, **74% of B2B buyers** would make a purchase with a competitor if their vendor could not keep up with their purchasing expectations.

By automating tasks like credit checks, onboarding and invoice generation, A/R teams can perform more efficient onboarding, extend credit and payment terms, submit invoices according to customer requests and provide consistent purchasing experiences across all channels.

Could Your A/R Department Benefit From Automation?

More than half (58%) of respondents have set aside the automation of manual processes due to current challenges. Consider where manual processes are most hurting the productivity of your A/R department:

- Is your credit application process too long?
- Do you lose customers during onboarding?
- Is your sales team overburdened with non-sales tasks?
- Do you have frequent billing errors?
- Are payments often misapplied?
- Do you frequently experience fraud?

Are your DSO and collections efforts increasing?

If you answered yes to any of these questions, your A/R department could benefit from automation. However, an ad hoc approach isn't sustainable. Find a trusted partner that offers a comprehensive, long-term solution.

TreviPay Can Help

Automating manual tasks allows A/R teams to focus on high-level organizational goals and improve the overall customer experience. B2B organizations that embrace automation and step into the digital world not only boost efficiency, but ensure a place ahead of competitors that remain in the past.

TreviPay provides end-to-end support to A/R teams. TreviPay eliminates manual processes and creates efficiencies throughout the entire A/R workflow — from onboarding to collections.

Payments

Give your customers the freedom to pay when, how and where they want. TreviPay allows you to provide buyers with pre-negotiated, dynamic pricing and role-based purchase controls.

Invoicing

Decrease billing error rates to less than 2% and provide a consistent purchasing experience across all channels, including eCommerce. TreviPay allows you to instantly generate invoices at online checkout.

Credit Management

TreviPay takes on both the time-consuming tasks and financial risk of credit management — automatically evaluating creditworthiness, extending credit on your behalf and handling all collections.

Onboarding

TreviPay automates the customer onboarding process, issuing credit lines of up to $250K in less than 30 seconds and increasing customer buying power.

Managed Services

Deliver branded support and a superior customer experience via a white-label solution. And with dedicated service teams handling issues and disputes, neither the A/R nor sales teams are burdened with resolving discrepancies.

Business Intelligence Tools

Stay ahead of the competition and continue to increase sales. Business intelligence tools help increase revenue, purchasing power and average order volume (AOV). We also assign you a Customer Success Manager to guide you to even more business growth.

Integrations

Improve your payments experience without changing your internal processes. TreviPay supports API integrations across multiple ERP, CRM and POS systems, alleviating the need to add another technology for your A/R team to manage.

Your ability to meet customer expectations and achieve financial goals hinges on a future-proofed payments experience. TreviPay provides the expertise necessary to determine buyers' preferences and needs so you can perfect your payments experience.

Ready to grow your business with TreviPay? Contact us or request a demo today.

Methodology

TreviPay surveyed 300 U.S.-based B2B financial department employees in April 2020. Each respondent is responsible for managing A/R tasks, such as incoming payments, collections and invoicing customers or overseeing A/P and A/R operations for their business. The industry and total annual revenue breakdowns of the respondents' organizations are as follows:

What is the approximate total annual revenue of your business?

- **15%** $50 million-$100 million
- **26%** $101-$250 million
- **41%** $251-$500 million
- **14%** $501 million-$1 billion
- **4%** More than $1 billion

Which of the following best describes the industry you work in?

- **43%** Retail
- **11%** Manufacturing
- **11%** Automotive
- **9%** Healthcare
- **7%** Professional services
- **7%** Consumer packaged goods (CPG)
- **7%** Telecommunications
- **2%** Education
- **2%** Other
- **1%** Legal

About TreviPay

TreviPay is a global B2B payments company, facilitating $6 billion in transactions per year in 18 currencies for customers in more than 27 countries. We specialize in payment and credit management for B2B companies across the globe, setting the stage for the future of omni-channel B2B payments by extending terms, handling invoicing and managing collections.

For more information, visit trevipay.com.